ADDITIONAL HOUSING VIEWS

Department of Housing and Urban Development (HUD) programs provide a housing safety net for the most vulnerable in our society, foster economic opportunities for low- and moderate-income families, and strengthen urban and rural communities.

The FY 2006 HUD budget accelerates a four year effort by the Bush Administration to dismantle critical HUD programs, to make deep funding cuts in these programs, and regretfully, to target these cuts to our most vulnerable low-income families, seniors, and disabled persons.

The FY 2006 Administration budget proposes to cut the HUD budget by $3.85 billion, a 12% cut. The budget would eviscerate CDBG flexible block grants to states and localities, cut the disabled housing budget by 50%, continue an assault on the rental housing assistance safety net programs (Section 8 and public housing), and cut funding for housing programs for Native Americans by 16%.

The newest and most troubling aspect of the FY06 housing budget is the Administration's proposal to eliminate seven HUD community development programs (including CDBG), and consolidate them with eleven other programs from four other agencies into a new program at the Commerce Department. The FY06 budget request of $3.71 billion for this new program reflects a 35% cut, compared to $5.665 billion in combined FY 2005 funding for these 18 programs. The pro rata share of cuts to the HUD programs alone would be $1.56 billion, with CDBG accounting for $1.42 billion of that pro rata reduction. These cuts would have a devastating impact on housing, neighborhood improvements, and social services for the elderly, the disabled, families with children, and the homeless.

A number of important HUD programs would effectively be eliminated, since they would lose their dedicated source of funding. Brownfields grants for cleanup and economic redevelopment of brownfields sites would be eliminated. Funding for economically distressed Empowerment Zones and Enterprise Communities would be eliminated. Capacity building grants for LISC and the Enterprise Foundation, to help them foster Community Development Corporations in poor communities, would disappear. And the Rural Housing and Economic Development Program would be zeroed out.

The budget also proposes to eliminate Section 108 CDBG loans, which have been used effectively by localities to leverage private sector capital for critical community development projects. Moreover, since Section 108 loans are secured by a pledge of future CDBG receipts, the proposal would jeopardize the ability of cities and counties to repay existing 108 loans.

However, the biggest impact of the Administration proposal would be the end of CDBG as we know it, along with significant funding reductions for cities and counties that rely on CDBG block grant funds.

HUD acknowledges, in its "*Highlights of FY 2004 CDBG Accomplishments,*" that "*The CDBG program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. This local flexibility is a hallmark of the program. The process includes significant citizen participation.*" Communities use the program for a wide range of activities, including affordable housing, community development, infrastructure, building senior citizen centers, and providing critical public services.

Affordable housing would be particularly hard hit. Last year, $1.16 billion in CDBG funds were used for housing, resulting in 112,000 homeowners receiving funds for housing rehabilitation, 11,000 families receiving assistance to become 1st-time homeowners, and 19,000 rental housing units being rehabilitated. It can be presumed that the Administration's proposal to transfer the program to the Commerce Department would eliminate housing as an eligible use of funds. As a result, $1.16 billion in affordable housing investments would be lost.

The proposal also would reorient CDBG away from its traditional HUD focus of affordable housing and community development, to a Commerce Department whose focus is on economic development, and which caters to business interests. In fact, according to the Office of Management and Budget (OMB), the Commerce Department's flagship economic development program, the Economic Development Administration, has as its primary purpose *"to promote a favorable business environment to attract private sector capital investment and jobs."*

Local decision making would be compromised. Under the proposal, the federal government could take funding away from communities the Administration determines have failed to *"demonstrate progress"* in meeting the goals of *"increasing job creation and business formation - the true engines of economic development,"* The Administration would also control some of the funding for its new program through a bonus fund to be given only to *"communities that have taken steps to improve conditions in ways that have been proven to attract businesses"* – such as *"removing barriers to business development"* and *"increased commercial development."*

Finally, the proposal would eliminate funding to many communities, taking away a critical source of funding to provide opportunities for low-income families in those communities. CDBG funding currently goes directly to all cities with a population over 50,000 and all counties with a population over 200,000, creating housing and economic opportunities for low- and moderate-income families nationwide. Although the proposal does not include a detailed funding formula, the budget explicitly states that it *"targets resources only to communities that need assistance, based on poverty and job loss,"* and justifies this change by criticizing CDBG on the grounds that only *"38% of CDBG funds currently go to States and communities with poverty rates that are lower than the national average."*

A proposal to limit funding to only the most distressed communities would effectively abandon efforts to help the millions of low-income persons living in middle income and economically diverse communities. Instead of carrying out the existing federal policy objective of de-concentrating low-income families, the proposal would further concentrate them in the poorest communities, and potentially further stratify society along economic and racial lines. CDBG funds should continue to be available to serve poor people wherever they happen to reside.

The other new, and disturbing proposal in the HUD budget is the fifty percent funding cut for the Section 811 program for disabled housing. It is inexcusable for this program to be cut, let alone singled out for a cut of this magnitude. The Administration budget also proposes to turn Section 811 into a rental assistance program only, ending the longstanding federal role in funding the cost of construction of new affordable housing for the disabled.

This is bad policy, since site-based housing is essential to serve the needs of disabled persons. It also undercuts the Administration's professed interest in promoting faith-based solutions to housing needs, since faith-based institutions have played a major role in building Section 811 disabled housing. And, it is ironic that the Administration now purports to be promoting tenant-based assistance to the disabled – since it was this Administration that killed funding for new vouchers for the disabled, proposing elimination of new disabled vouchers in its very first budget submitted to Congress.

The HUD budget proposal also undermines critical HUD safety net programs. The budget not only continues the Administration's prior efforts to zero out the HOPE VI program to revitalize public housing, it also proposes to rescind the $143 million in FY 2005 HOPE VI funds Congress appropriated just two months ago. Funding for critically needed capital repair of public housing units is cut another $252 million, and operating assistance is cut by $17 million. The overall FY 2006 public housing request is 9% below last year's level, and 30% below the level when the Administration took office, after adjusting for inflation.

Unlike last year, the Administration does not propose large cuts in the Section 8 voucher program. But, it does propose a continuation of the partly dollar-based system put in place by administrative action last year. This historic shift, under which housing authorities for the first time were not reimbursed for all validly incurred housing costs, caused a large number of housing authorities to cut the number of families receiving vouchers or to cut the rent subsidy. And, just last month, HUD acknowledged that this new dollar-based system results in a nationwide underfunding of the voucher program of more than 4% in 2005. Unfortunately, the Administration's Section 8 budget would perpetuate reductions in the number of families receiving vouchers and in the level of subsidies being provided.

It is also troubling that the Administration announced in its budget that it plans to reintroduce its proposal to block grant the Section 8 voucher program. Arguably, the proposal to slash funding for CDBG this year demonstrates the true intent of block granting the voucher program – that is, paving the way for deep cuts in the future once the current voucher-based system is eliminated. The block grant proposal introduced last year also would eliminate the targeting of vouchers to the poorest families, and eliminate rent affordability protections. Authorizers and appropriators in both the House and Senate explicitly rejected this proposal in the last Congress, and they should do so again this year.

The budget makes harmful cuts to a number of other housing programs. Flexible HOME housing block grants to states and localities would be cut by $66 million, a 4% cut. Housing fo Persons with AIDS (HOPWA) would be cut by $14 million, a 5% cut. Native American sing programs would be cut by $110 million, a 16% cut. Funding for lead paint abat nt would be cut by $48 million, a 29% cut. Funding for Fair Housing programs ld be cut by 16%. Funding for the National Council of La Raza, for affordable sing activities and technical assistance, would be zeroed out of the budget.

Finally, wh the McKinney-Vento homeless program would receive a $175 million increase, su increase is illusory, as it would be overwhelmed by the proposed steep cuts in housing saf net programs that keep families from becoming homeless in the first place.

Similarly, tl proposed $150 million increase in homeownership down payment block grants woul be more than negated by the steep cuts in CDBG and HOME block grants (both of whi h are used for down payment assistance), as well as by the elimination of HOPE VI, t one program with a proven track record in creating homeownership for low-income milies in low-income communities.

Additional Housing Views

Maxine Waters

Al Green

Barbara Lee

Carolyn B. Maloney

Gary Ackerman

Wm Lacy Clay

[illegible]

Jim Matheson

Brad [illegible]

David Scott

[illegible]

[illegible]

Luis V. Gutierrez

Darlene Hooley

Barney Frank

Emanuel Cleaver

Bernard Sanders

[illegible]

Melvin L. Watt

Rubén Hinojosa

Carolyn McCarthy

Stephen Lynch

Debbie Wasserman Schultz

Gwen Moore

Brad Sherman

[illegible]

Paul E. Kanjorski

Julia Carson

Gregory W. Meeks

Harold Ford

Joe Baca

Melissa Bean